

Message Text

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ACTION SWF-02

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TAGS: FAO, OCON, PORC, XF

SUBJ: EIGHTEENTH SESSION INTERGOVERNMENTAL GROUP ON GRAINS,
ROME, SEPTEMBER 12-18, 1974

/SUMMARY:/ SESSION WELL REPRESENTED BY DELEGATIONS BOTH
EXPORTING AND IMPORTING COUNTRIES WHO WERE ACTIVE PARTICIPANTS
IN DEBATE ALL AGENDA ITEMS. CLEAR THAT TIGHT SUPPLY/DEMAND
SITUATION WITH LIMITED STOCKS MEANS CONTINUED VOLATILE PRICES IN
NEAR TERM. RESULT UNCERTAINTY CROP PRODUCTION AND POSSIBLE SHIFT
DEMAND FOR COARSE GRAINS, GROUP DECIDED NOT REPEAT NOT RELEASE
FORECASTS TO PUBLIC. MAJOR PROBLEMS OF SIGNIFICANCE WERE WORLD-
WIDE COST/PRICE SQUEEZE ON LIVESTOCK INDUSTRY, AND CONSUMER
RESISTANCE TO HIGHER MEAT PRICES WITH CONTINUATION OF HIGH COST
FARM INPUTS IN TO MEDIUM TERM. GROUP SAW NEED FOR CONTINUED ALL
OUT CEREAL PRODUCTION IN WORLD. IN MEDIUM TERM OUTLOOK,
GROUP CONCLUDED THAT GRAIN EXPORTING COUNTRIES HAVE POTENTIAL
TO PRODUCE WORLD IMPORT REQUIREMENTS AND AT SOME TIME REBUILD
STOCKS TO MORE ADEQUATE LEVELS. FERTILIZER SITUATION ACTIVELY
DISCUSSED. ASSESSMENT TECHNICAL ASPECT WORLD FOOD SECURITY
STOCK INCONCLUSIVE GROUP AGREED TO NEED FOR EXAMINATION IN
GREATER DETAIL BY EXPORT CONSULTATION. NINETEENTH MEETING GRAINS
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GROUP SCHEDULED OCTOBER, 1975, PRIOR CCP MEETING. /END SUMMARY/

1. SESSION ATTENDED BY 83 REPRESENTATIVES FROM 49 COUNTRIES. INTERNATIONAL WHEAT COUNCIL REPRESENTED BY EXECUTIVE SECRETARY. EUROPEAN ECONOMIC COMMUNITY AND FOUR INTERNATIONAL ORGANIZATIONS (GATT, WORLD BANK, UNCTAD AND WFP ALSO REPRESENTED.)

2. MORTENSON OF DENMARK ELECTED CHAIRMAN. VICE CHAIRMEN ELECTED FROM INDIA AND AUSTRIA. DRAFTING COMMITTEE CONSISTED OF DELEGATES FROM EGYPT, FINLAND, FRANCE, POLAND, PAKISTAN, SPAIN, USA, AND ZAMBIA, PLUS EEC REPRESENTATIVE.

3. WORKING PARTY ON TRADE FORECASTS COMPOSED OF DELEGATES FROM ARGENTINA, CANADA, HUNGARY, INDIA, JAPAN, MOROCCO, THAILAND, UNITED KINGDOM AND USA, PLUS EEC REPRESENTATIVE AND EXECUTIVE SECRETARY IWC.

4. AZIZ, DIRECTOR, COMMODITIES AND TRADE DIVISION, MADE THE OPENING STATEMENT FOR FAO STATING THAT CURRENT SESSION GRAINS GROUP PARTICULARLY SIGNIFICANT RESULT ACUTE WORLD FOOD CRISIS. REFERRING TO FORTHCOMING WORLD FOOD CONFERENCE AND PROPOSALS FOR NATIONAL AND INTERNATIONAL ACTION, AZIZ INDICATED GRAINS GROUP HAS ROLE IN ASSESSMENT OF SHORT-TERM GRAINS SITUATION AND MEDIUM-TERM OUTLOOK AS IMPORTANT GUIDE TO GOVERNMENTS IN PREPARING FOR CONFERENCE. ANOTHER MATTER FOR GROUP LINKED ALSO TO WFC IS SPECIAL EVALUATION OF ADEQUACY OF WORLD STOCKS IN MAKING PROGRESS TOWARD AGREED INTERNATIONAL UNDERTAKING ON WORLD FOOD SECURITY. IN MEETING FOOD NEEDS AS RESULT FALL IN WORLD PRODUCTION WHEAT AND COARSE GRAINS, AZIZ SUGGESTED OPTION OF REDUCING ANIMAL FEEDING TO MAKE SUFFICIENT GRAINS AVAILABLE FOR FOOD TO PREVENT HUMAN STARVATION IN DEFICIT AREAS. HE ALSO POSED QUESTION WHETHER SUFFICIENT FOR COUNTRIES TO RELY ON MARKET FORCES ALONE IN EVENT OF DEVELOPMENT OF SEVERE SHORTAGES.

5. CURRENT SITUATION AND SHORT-TERM OUTLOOK FOR COARSE GRAINS AS FOLLOWS: (1) WORLD PRODUCTION COARSE GRAINS ROSE BY 6 PERCENT IN 1973 DUE MAINLY TO RECORD CROP IN USSR. IN REST OF WORLD OUTPUT ROSE BY ONLY 2 PERCENT.

(2) PRODUCTION MAIN EXPORTING COUNTRIES ROSE SUBSTANTIALY BUT DISPOSABLE SUPPLIES SMALLER THAN PREVIOUS SEASON WITH RESULT A UNCLASSIFIED

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FALL IN OPENING STOCKS. US SHIPMENTS MAIN SUSTAINING ELEMENT BEHIND SHARP EXPANSION WORLD TRADE TO 64 MILLION TONS, 8 MILLION MORE THAN 1972/73 WHICH HAD ALSO BEEN RECORD. US ACCOUNTED FOR TWO THIRDS OF WORLD EXPORTS COARSE GRAINS IN 1973/74 COMPARED TO AVERAGE OF HALF IN EARLIER YEARS.

(3) MOST SIGNIFICANT INCREASES IMPORTS WERE CONTINUED RISE IN JAPAN IN LINE WITH PAST TRENDS AND EMERGENCE OF CHINA AS LARGE

IMPORTER OF CORN FOR FIRST TIME.

(4) RESULT OF HIGH IMPORT DEMAND AND LOWER DISPOSABLE SUPPLIES FOR EXPORT, CARRYOVER STOCKS IN MAIN EXPORTING COUNTRIES FELL SUBSTANTIALLY IN 1973/74. THE TIGHTENING SUPPLY/DEMAND SITUATION RESULTED IN MARKED INCREASES IN EXPORT PRICES AND LOW LEVEL OF RESERVE STOCKS LEFT MARKET EXTREMELY SENSITIVE TO CHANGING EXPECTATIONS.

6. CURRENT SITUATION AND SHORT TERM OUTLOOK FOR WHAT AS FOLLOWS:

(1) WORLD PRODUCTION IN 1973/74 (EXCLUDING CHINA) REACHED NEW RECORD 340 MILLION TONS, 9 PERCENT ABOVE REDUCED OUTPUT PRECEDING CROP YEAR. INCREASE MAINLY DUE TO RECORD USSR CROP WITH SUBSTANTIALLY LARGER CROPS IN CANADA, AUSTRALIA AND USA, WHICH OUTWEIGHED REDUCTIONS IN AFRICA, ASIA, SOUTH AMERICA AND WESTERN EUROPE.

(2) IMPORTS TO USSR FELL SHARPLY BELOW LAST YEAR'S RECORD LEVELS BUT THIS LARGELY OFFSET BY INCREASED IMPORTS TO DEVELOPING COUNTRIES IN ASIA AND AFRICA. IMPORT DEMANDS BY DEVELOPING COUNTRIES ACCOUNTED FOR 54 PERCENT WORLD TRADE IN 1972/73 COMPARED WITH 42 PERCENT A YEAR EARLIER. TOTAL VOLUME WORLD TRADE IN WHEAT AND FLOUR 62 MILLION TONS, 7 PERCENT BELOW RECORD OF PRECEDING YEAR OF WHICH US SHIPPED SOME 31 MILLION TONS.

(3) CONTINUING STRONG IMPORT DEMAND WITH REDUCED AVAILABILITIES BROUGHT EXPORTERS STOCK DOWN TO 24 MILLION TONS BY END 1973/74 CROP YEAR, 3 MILLION TONS BELOW LOW LEVELS OF YEAR EARLIER. THIS TIGHT SUPPLY/DEMAND SITUATION REFLECTED IN HIGH LEVEL EXPORT PRICES REACHED IN 1973/74.

7. ACTIVE DISCUSSION MEDIUM TERM OUTLOOK REFLECTED DIFFICULTIES
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PREDICTING IN 1971 WHAT HAPPENED IN 1972 WITH ITS REPERCUSSIONS ON WORLD PRICES AND THAT GRAIN PRODUCTION SHORTFALLS DUE TO BAD WEATHER LIKELY OCCUR WITH SAME FREQUENCY AS PAST. WHILE GROWTH IN WORLD TRADE IN GRAINS LIKELY BE AT SLOWER RATE, ACTUAL LEVELS COULD VARY CONSIDERABLY, PERHAPS BY 20 PERCENT, DUE TO WIDE RANGE FACTORS OTHER THAN WEATHER. HOWEVER, FAO AND DELEGATIONS CONCLUDED THAT GRAIN EXPORTING COUNTRIES POSSESS POTENTIAL TO PRODUCE WORLD IMPORT REQUIREMENTS AND AT SAME TIME REBUILD STOCKS TO MORE ADEQUATE LEVELS. TWELVE COUNTRIES PARTICIPATED IN DISCUSSION THIS TOPIC. IN CONNECTION WITH DISCUSSION MID-TERM OUTLOOK, FERTILIZER SITUATION ALSO INVOLVED INTERVENTION BY 12 COUNTRIES. SECRETARIAT REQUESTED COPY US STATEMENT ON FERTILIZER SITUATION. EVIDENT NEED TO INCREASE FERTILIZER PRODUCTION, IMPROVE ITS EFFICIENT USE AND MAKE LONG RUN INVESTMENT IN MORE PLANTS. A FEW COUNTRIES CONSIDERING SHORT RUN FERTILIZER SUB-

SIDIES TO FARMERS. SOME COUNTRIES FELT THAT NEW FERTILIZER INFORMATION SHOULD BE TABLED IN FUTURE GRAIN SESSIONS TO AVOID REPETITION OF WORK OTHER FAO BODIES.

8. THE SHORT FAO NOTE ON PROBLEMS AFFECTING WORLD MARKET PRICES OF GRAINS REQUESTED BY 17TH SESSION OF GRAINS GROUP
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ACTION SWF-02

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

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UNCLAS SECTION 2 OF 2 ROME 12884

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SUBJ: EIGHTEENTH SESSION INTERGOVERNMENTAL GROUP ON GRAINS,
ROME, SEPTEMBER 12-18, 1974

.....GROUP EVOKED INTERVENTIONS BY 7 COUNTRIES. IRAQ INDICATED THAT HIGH PRICES HAD ENCOURAGED COUNTRIES TO BUILD GRAIN STORAGES NOT ONLY FOR PRESENT CONSUMPTION BUT FOR USE IN MONTHS AHEAD. SUMMING UP DISCUSSION CHAIRMAN INDICATED LDC'S NEED THINK OF OWN STOCK BUILDING TO MINIMIZE FLUCTUATIONS IN PRICE, NOT LEAVING RESPONSIBILITY JUST TO EXPORTING COUNTRIES.

9. WORKING PARTY ON TRADE FORECASTS EXAMINED OFFICIAL DATA, SOME OF WHICH APPEARED OPEN TO QUESTION IN LIGHT OF DETERIORATING CROP CONDITIONS AND HIGH PRICES AS WELL AS POSSIBLE SHIFTS IN

DEMAND FOR COARSE GRAINS. WITH GAP BETWEEN AVAILABILITIES AND REQUIREMENTS COARSE GRAINS, THE STATISTICAL DEFICIT MAY BE CLOSED BY SOME IMPROVEMENT IN FINAL CROP PRODUCTION THOUGH THIS UNCERTAIN DUE POSSIBILITY DAMAGE BY FROST IN NORTH AMERICA AND DRY CONDITIONS PARTICULARLY FRANCE. MOREOVER, DEMAND MAY BE LESS THAT FORECAST WITH SOME REDUCTION IN ANIMAL UNITS FEED GRAIN. DEPENDING ON PRICES, MORE WHEAT MIGHT BE

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FED IN 1974-75. WORKING PARTY BELIEVED CONSUMPTION ESTIMATES DID NOT FULLY TAKE INTO ACCOUNT EFFECT OF PRICE ON USE OF COARSE GRAINS. GRAINS GROUP DECIDED NOT REPEAT NOT RELEASE FORECASTS TO PUBLIC BUT TO PROVIDE INFORMATION AS ANNEX TO REPORT TO CCP WHICH REPORT WOULD DISCUSS QUALIFICATIOS AND LIMITATIONS OF DATA.

10. IN ASSESSING PROBLEMS OF SIGNIFICANCE THE DEBATE CLEARLY INDICATED THE CURRENT CONCERN OF THE PRICE/COST SQUEEZE ON THE LIVESTOCK INDUSTRY, CONSUMER RESISTANCE TO HIGHER PRICES FOR MEAT AND THE MOUNTING INFLATION PRESSURES GENERALLY. PRICE CONSIDERATIONS MAY HAVE LONG-TERM INFLUENCE THAT MIGHT LEAD TO PERMANENT CHANGE OF INGREDIENTS IN FUTURE FEED RATIONS. ALSO SEVERE PROBLEMS OF HIGH COSTS FERTILIZERS, PESTICIDES AND FUELS APPEAR LIKELY TO CONTINUE IN THE MEDIUM-TERM WHICH WOULD RETARD PRODUCTION IN DEVELOPING COUNTRIES. CONSENSUS THAT CURRENT PROBLEMS NOT ENCOUNTERED BEFORE, FUTURE UNCERTAIN WITH STOCKS NOT BEING REBUILT THIS YEAR FOR EITHER COARSE GRAINS OR WHEAT AND AS CONSEQUENCE PRICES WILL CONTINUE TO BE VOLATILE. CLEAR THAT WORLD MUST PROCEED FOR ALL OUT GRAIN PRODUCTION EVEN THOUGH COMPLICATED BY HIGH COST OF INPUTS.

11. DEBATE ON WORLD FOOD SECURITY OPENED P.M. SEPTEMBER 13 BY AUSTRALIA, INTERNATIONAL WHEAT COUNCIL AND UNITED STATES AND RESUMED A.M. SEPTEMBER 16 BY DELEGATIONS NETHERLANDS, JAPAN, INDIA, UNITED KINGDOM, DENMARK, CANADA, GERMANY, SPAIN AND IRAQ. STATEMENTS MADE BY AUSTRALIA, UNITED STATES AND INDIA WERE CIRCULATED TO DELEGATIONS AT REQUEST OF THE CHAIRMAN AND THE SECRETARIAT. GROUP AGREED THAT WORLD CEREAL STOCKS WERE PRESENTLY AT UNACCEPTABLY LOW LEVELS BUT STRESSED NEED FOR CAUTION IN APPRAISING STOCK AND STOCK POLICIES IN VIEW INADEQUACY BASIC INFORMATION AND CHANGES IN NATINAL STOCK POLICIES. GROUP ALSO AGREED THAT ANY SCHEME FOR EVALUATING WORLD CEREAL STOCKS MUST DEPEND ON UNIVERSAL PROVISION OF INFORMATION ON STOCKS AND OTHER RELEVANT DATA BY ALL COUNTRIES. QUESTIONS OF DESIRABLE DISTRIBUTION AND LOCATION OF STOCK AS WELL AS PRINCIPLES OF BURDEN SHARING WERE ALSO RAISED ALONG WITH A NUMBER OF TECHNICAL MATTERS THAT WILL BE INCORPORATED IN REPORT OF GRAINS GROUP. RECOGNIZING THAT RESOLUTION THESE TECHNICAL AND POLICY PROBLEMS NOT REPEAT NOT POSSIBLE PRIOR TO NOVEMBER FAO COUNCIL MEETING, GROUP SUPPORTED RECOMMENDATION OF WORKING PARTY

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ON WORLD FOOD SECURITY THAT ISSUE RAISED BE EXAMINED IN GREATER
DETAIL BY EXPERT CONSULTATION ON CEREAL STOCK POLICIES IN
FEBRUARY 1975. IN FINAL INTERVENTION, IRAQ SPOKE ON LDC STOCK
PROBLEM STRESSING: (1) NO CLEAR DEFINITION OF STOCKS; (2)
STATISTICS NOT AVAILABLE; (3) GOVERNMENTS TALK ABOUT WHAT
THEY BUY AND FARM STOCKS ARE NOT REPORTED; (4) NATIONAL GRAIN
POLICY OF COUNTRIES IMPORTANT, WHETHER GOVERNMENT OR PRIVATELY
CONTROLLED. IN CLOSING REMARKS, IRAQ DELEGATE STRESSED
GOOD IDEA LDC'S STORE OWN STOCKS CITING OWN EXAMPLE OF INCRE-
ASING STORAGE SPACE FROM TWO TO SIX-MONTH SUPPLY.

12. GRAINS GROUP AGREED HOLD NINETEENTH MEETING IN ROME OCTOBER
1975 PRIOR TO CCP SESSION TAKING INTO CONSIDERATION DATES OF
U.S. AND CANADIAN OCTOBER CROP REPORTS. GROUP ALSO FAVORED FAO
SECRETARIAT PREPARE MID-TERM REVIEW COARSE GRAINS SITUATION BASED
ON QUESTIONNAIRE TO GOVERNMENTS, TIMING TO BE ASCERTAINED BY
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